Despite Hearings, Restructuring Bill Probably Years Away

By LISA A. HAMMOND

WASHINGTON — To many observers, the Senate Banking Committee's current round of hearings on restructuring the financial-services industry is a lot like the proverbial bad watchdog — all political bark and no legislative bite.

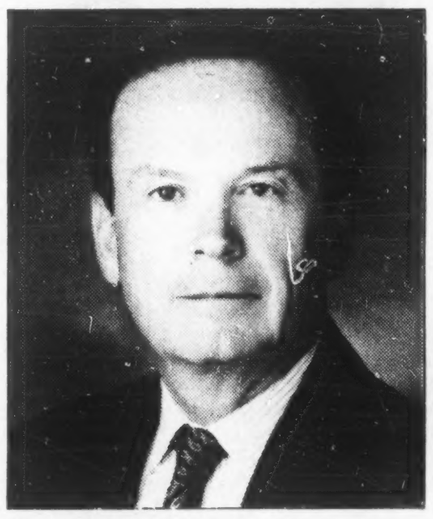
"We've certainly been around this track a large number of times, and there are probably no new facts to be brought to anyone's attention," said Allan Meltzer, an economics professor at Carnegie-Mellon University in Pittsburgh who heads the Shadow Regulatory Group, a panel of academics that monitors the economic soundness of regulatory actions.

Karen Shaw, executive vice president of the Institute for Strategy Development, said: "Nobody has any expectation that Congress will act on this in the near future — the next year or two."

Not Whether, but When

But the industry no longer wonders whether major legislation will come; the question is when. Ms. Shaw says, "The groundwork is being laid for the kind of financial industry change that happens only once every 20 to 25 years."

Industry groups differ on how much they want the change and how soon they expect it.



Kenneth Whipple
Ford Financial Services Group

Philip Vallandingham
Independent Bankers

Perhaps the boldest call for change came from Kenneth Whipple, president of the financial services group of Ford Motor Co. Last week Mr. Whipple, representing the Financial Services Council, a trade group, testified that its vision is to "create a legal structure that would permit any well-capitalized, well-managed company to enter any sector of the industry."

To the other extreme was Philip Vallandingham, president of the Independent Bankers Association of America, which represents community bankers. He told the committee that his group opposes deregulation proposals that would eliminate the separation between commercial and investment banking imposed by the Glass-Steagall Act of 1933, which bars commercial banks from securities underwriting.

Hearings Through July

Committee hearings are to continue through July.

Sources said the Senate panel won't propose expansive legislation before Treasury has finished its study on the deposit-insurance system. The study is due next February, though Treasury sources are now targeting completion by November.

At a hearing Thursday, Sen. Richard C. Shelby, D-Ala., said: "I think it's long past time that we come out with clear legislation to modernize the financial industry."

Lack of Direction?

But many experts doubt that legislative action will come out of this year's hearings, despite the continuing problems in the bank and thrift industry.

"We certainly don't seem to be heading anywhere, and I don't know why not," said a Republican staff aide on the committee. Its chairman, Sen. Donald Riegle, "just hasn't decided what he wants to do," the aide said.

Because the Michigan Democrat has no bill on the table, the hearings are merely for oversight, the aide said. "The chairman is not advocating anything, so that's the next step – and then they'd have to do legislative hearings all over again."

Indeed, the committee held similar hearings in 1988, under the chairmanship of then-Sen. William Proxmire, D-Wis. Since those hearings, few of the interested industries have changed their tunes on the fundamental questions relating to deposit-insurance reform, regulatory changes, and expanded bank powers, although their viewpoints vary widely.

A senior staff aide said Mr. Riegle has no timetable to introduce a bill but the committee will take the testimony "under advisement" to lay a foundation for possible 1991 legislation.

Support for Change

"Nobody is saying much that is new — the positions taken are consistent with what banking and securities firms have said for a while," said Kenneth McLean, the committee's staff director under Mr. Proxmire. "The one real change is that the SIA [Securities Industry Association] has come out for some kind of Glass-Steagall change, but it's a little ambiguous as to how much change they will allow."

SIA official Robert N. Downey told the committee this month that banks should be allowed into the securities business through subsidiaries isolated from their insured-deposit divisions.

In hearings last week, the Investment Company Institute, which represents the mutual-fund-industry, said that it, too, would support some securities powers for banks. But the institute, which traditionally opposed letting banks underwrite securities, said its support depends on permission for mutual-fund companies to engage in activities traditionally reserved for banks.

Ms. Hammond writes for the Medill News Service.

THE WEEK *ahead*

MONDAY, APRIL 30

The Federal Deposit Insurance Corp. holds an open meeting to consider proposed changes to deposit insurance coverage and amended rules affecting the Community Reinvestment Act. Also, the board will seek public comment on issues to be explored in its study of risk-based deposit insurance assessments. 202-898-3813.

SEC Commissioner Edward Fleischman addresses the annual conference of the Association of Publicly Traded Companies, formerly the National Association of OTC Companies, on the topic of current SEC initiatives affecting issuers.

Personal income and spending figures for March are released by the Commerce Department.

The Supreme Court hands down decisions and announces which cases it will hear in the future.

TUESDAY, MAY 1

State banking associations from Maine and Minnesota are in Washington for their spring lobbying visits. Later this week, associations from Rhode Island and Wyoming arrive.

Construction spending figures for March are announced by the Commerce Department.

WEDNESDAY, MAY 2

The Federal Reserve Board meets to consider proposed implementation of certain payment system risk-reduction policies and to consider amended rules affecting the Community Reinvestment Act. 202-452-3000.

The Federal Reserve Board releases the so-called beige book, which contains the Fed staffs' assessment of the economy.

Leading economic indicators for March are released by the Commerce Department.

Factory orders, shipments, and inventory figures for March are announced by the Commerce Department.

THURSDAY, MAY 3

Corporate income tax revenue declines are explored in a hearing of the Senate Finance Committee, chaired by Sen. Lloyd Bentsen, D-Tex.

FRIDAY, MAY 4

The Joint Economic Committee holds a hearing to receive the employment and unemployment statistics for April, released by the Labor Department.

INSIDE *congress*

Shaky Financial Services Industry Still Managed Big Contributions

While the financial services industry has stumbled upon hard times, that has not stopped it from funding the nation's political process.

In the six years through 1988, political action committees representing banks, thrifts, insurance, real estate, and other financial interests forked over $19.2 million to Senate candidates, according to Common Cause, which calls itself a citizens' lobby.

That amount is one-fifth of the $96.3 million raised by all political action committees during that period, according to Common Cause.

ABA Has Most Clout

Among the banking organizations, nobody has more muscle than the American Bankers Association, which expects to spend as much as $2 million in the current election cycle.

In the Senate, the ABA expects to contribute in virtually every election, and in most it will "max out" – give the $10,000 maximum permitted for an election cycle.

"In general, we do tend to be a maximum player in every Senate race," said Edward L. Yingling, the ABA's chief lobbyist. "On the House side, we are trying to reach out to committees other than banking."

The Independent Bankers Association of America, by contrast, tries to raise $135,000 a year, which would give it $270,000 for the two-year election cycle.

"We try to use our money to be visible," said Stephen Verdier, who lobbies the House of Representatives for the Independent Bankers.

Where larger trade groups might buy a dozen tickets for a fund-raising event and send two or three representatives, he said, "we buy one ticket and one of our staff goes. So I think that gives us good visibility for what we spend."

According to Common Cause, finance PACs – representing banks, thrifts, and other financial institutions – gave $8.5 million during the six-year cycle. Insurance PACs gave $5.8 milion, and real estate and construction PACs contributed $4.9 million.

The insurance industry, not surprisingly, put Sen. Lloyd Bentsen, D-Tex., at the top of its list, with contributions of $213,900. Mr. Bentsen chairs the Senate Finance Committee.

Sen. Phil Gramm, R-Tex., a member of the Senate Banking Committee, led the pack among recipients of dollars from real estate and construction PACs, with a total take of $193,875.

— Robert M. Garsson

Where The PAC Money Went

The 25 senators who received the most money from finance PACs from 1983 to 1988*

Senator	Amount
Donald Riegle**, D-Mich.	$344,133
Alfonse D'Amato**, R-N.Y.	309,433
Lloyd Bentsen, D-Tex.	307,272
Slade Gorton, R-Wash.	273,465
Daniel P. Moynihan, D-N.Y.	259,622
Terry Sanford**, D-N.C.	229,250
Pete Wilson, R-Calif.	223,147
James Sasser**, D-Tenn.	222,140
Alan Cranston**, D-Calif.	209,195
John Heinz**, R-Penn.	203,858
Jake Garn**, R-Utah	195,375
John Chafee, R-R.I.	190,157
Phil Gramm**, R-Tex.	184,328
Timothy Wirth**, D-Colo.	181,200
Alan Dixon**, D-Ill.	172,200
Robert Dole, R-Kan.	163,900
Bill Bradley, D-N.J.	162,695
Frank Lautenberg, D-N.J.	139,672
Christopher Bond**, R-Mo.	139,027
David Durenberger, R-Minn.	138,477
Richard Shelby**, D-Ala.	130,613
William Roth**, R-Del.	128,450
Christopher Dodd**, D-Conn.	121,494
Bob Graham**, D-Fla.	120,229
Arlen Specter, R-Penn.	116,130

*From PACs representing banks, S&Ls, other financial institutions.
**Current members of Senate Banking Committee.

Source: Common Cause

Number of Credit Unions Shrinks as Profits Drop Sharply

Continued from *page* 1

they should have their tax-exempt status revoked.

The biggest credit union – Merrifield, Va.-based Navy Federal Credit Union – had $3.9 billion in assets at yearend, about the same as the 139th-largest commercial bank. Five credit unions had more than $1 billion in assets, two more than at yearend 1988, and the portion of industry assets controlled by the top 100 rose by a percentage point in 1989, to 23%.

Trend Held Durable

The consolidation has been apparent for several years, and industry observers expect it to continue. John T. Roycroft, a vice president at Washington-based Callahan, said he expected to see only about 12,000 surviving credit unions by 1995.

'The whole regulatory atmosphere has become combative under the fear of another financial crisis.'

John T. Roycroft
Callahan & Associates

"The trend has been pretty solid for years now, and it is not particularly bad," Mr. Roycroft said. Mr. Roycroft said another reason the number of credit unions will continue to fall is that fewer are being chartered in a less hospitable regulatory climate. The ABA and other banking lobbyists have warned that credit unions could become "the next thrift crisis" – a charge that credit union regulators and trade groups vehemently deny.

Rough Atmosphere Noted

"The whole regulatory atmosphere has become combative under the fear of another financial crisis," Mr. Roycroft said.

In that light, credit unions have shifted their emphasis from growth to capital. The impetus for the slowdown has come, in part, from the federal regulator, the National Credit Union Administration.

Credit union observers say the slower growth will insulate their industry from the bankers' anti-credit union campaign.

Assets for all credit unions last year grew just 2.42% – well below the top 100's 7% – while capital increased 13.21%. The asset gain of the top 100 was the smallest since the 6% of 1981

Some Big Gains

Assets rocketed at several credit unions. San Diego, Calif.-based Mission Federal Credit Union's assets jumped 26% to $411.2 million; Reynolds Carolina Credit Union of Winston-Salem, N.C., 24% to $303.8 million; and Security Service Federal Credit Union of San Antonio, Tex., 23% to $557.1 million.

There were big decliners, too. Assets at American First Federal Credit Union, La Habra, Calif., dove 48% to $228.3 million.

American was followed by Eastern Financial Federal Credit Union of Miami, where assets dipped 14.58% to $729.9 million. Eastern Financial Federal was organized originally to serve employees of Eastern Airlines, which has gone bankrupt.

Capital Strengthened

Capital rose more than twice as fast as assets at the top 100. TRW Systems Federal, Manhattan Beach, Calif., led the way with a jump of 45% to $19.6 million, raising its capital-to-assets ratio 224 basis points, to 8.03%

TRW Systems was followed by Lockheed Federal Credit Union, Burbank, Calif., with a 44% rise to $41.8 million, and a 176 basis-points increase in the ratio to 7.47%.

Alaska USA Federal Credit Union, Anchorage, however, saw its capital fall 29.29% to $14.2 million. The institution's ratio at yearend was 1.61%, compared with a ratio of 2.43% the year before.

Only one of the top 100 reported negative capital: San Antonio Federal Credit Union, Tex., with a negative $19.6 million last year, compared with negative $21.1 million at yearend 1988.

Melrose Credit Union, Woodside, N.Y., had the best capital ratio, 19.18%, with capital of $48.3 million and assets of $251.7 million at yearend. It was followed by 12th-ranked Orange County Teachers Federal, Santa Ana, Calif. with a ratio of 13.61%.

San Antonio Federal had a the worst capital ratio – negative 3.57%.

Net Income Declines

Net income was down 35% for the industry and almost 40% for the top 100, most likely due to an emphasis on building reserves.

Among the top 100, 14 lost money last year and two reported zero income, compared with two that lost money in 1988 and 11 reporting zero income.

Zero net income indicates that all net income has been transferred to statutory reserves, a component of capital.

The biggest money losers included Alaska Federal, which lost $18.8 million; Finance Center Federal Credit Union, Indianapolis, $10.7 million; and Eastern Financial, $7.7 million.

Membership at the top 100 was up 5.6%, while membership for all credit unions was up 3.93% to $58.48 million, from 56.27 million in 1988.

San Antonio Federal had the largest gain in membership, 73.8% to 234,953. The Central Intelligence Agency, Northwest Federal Credit Union of Herndon, Va., had the largest decline with its membership falling 89.7% to 10,001. □

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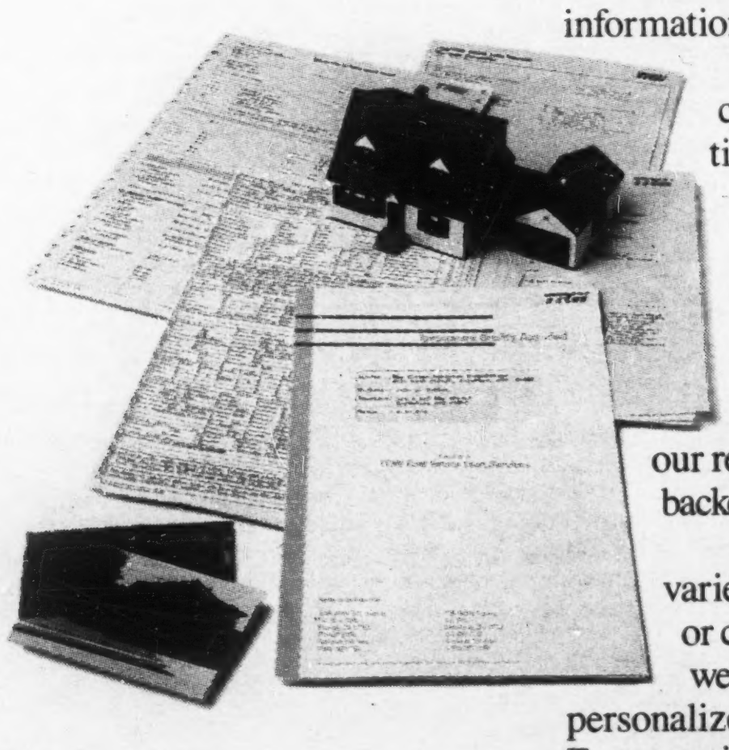

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TOP 100 CREDIT UNIONS

Top 100 Credit Unions in the U.S.

In order of total assets on December 31, 1989, compared with December 31, 1988 (dollar amounts in thousands)

Rank 12/89		Total Assets 12/31/89	Total Assets 12/31/88	% Chg.	Capital 12/31/89	Capital 12/31/88	% Chg.	Cap. Ratio 12/31/89	Net Income 1989	Net Income 1988	% Chg.	Members 12/31/89	% Chg.
1	Navy Federal Credit Union, Merrifield, Va.	3,913,682	3,509,615	11.51	306,550	263,221	16.46	7.83	11,059	27,707	-60.09	1,017,400	10.57
2	State Employees Credit Union, Raleigh, N.C.	2,090,418	2,010,187	3.99	105,616	94,036	12.31	5.05	5,502	3,076	78.85	296,961	8.36
3	United Air Lines Employees Credit Union, Chicago	1,727,926	1,803,636	-4.20	59,062	50,701	16.49	3.42	8,136	8,976	-9.36	87,278	4.94
4	Pentagon Federal Credit Union, Alexandria, Va.	1,239,005	1,214,217	2.04	98,004	91,250	7.40	7.91	(2,639)	8,292	-131.83	385,214	3.46
5	Boeing Employees Credit Union, Seattle, Wash.	1,148,394	975,366	17.74	89,657	76,626	17.01	7.81	7,339	12,228	-39.99	158,713	19.78
6	Hughes Aircraft Emp. Federal CU, Manhattan Beach, Calif.	1,001,169	880,950	13.65	53,987	48,905	10.39	5.39	3,451	7,847	-56.02	127,183	3.77
7	Alaska USA Federal Credit Union, Anchorage	882,862	826,546	6.81	14,204	20,089	-29.29	1.61	(18,832)	(10,380)	-81.43	183,640	0.35
8	American Airlines Emp. Federal CU, DFW Airport, Tex.	841,982	768,197	9.60	60,743	53,175	14.23	7.21	2,368	0	.....	85,584	12.81
9	The Golden 1 Credit Union, Sacramento, Calif.	740,386	644,853	14.81	55,104	45,552	20.97	7.44	5,778	8,492	-31.96	172,380	18.89
10	Eastern Financial Federal Credit Union, Miami	729,872	854,452	-14.58	83,208	82,741	0.56	11.40	(7,662)	7,213	-206.23	132,769	4.86
11	LMSC Federal Credit Union, Sunnyvale, Calif.	693,652	646,052	7.37	75,636	63,268	19.55	10.90	8,931	8,617	3.64	48,362	0.98
12	Orange County Teachers Federal CU, Santa Ana, Calif.	673,726	629,725	6.99	91,678	83,530	9.75	13.61	8,408	9,144	-8.05	74,820	11.66
13	IBM Poughkeepsie Federal Credit Union, Poughkeepsie, N.Y.	662,425	611,349	8.35	36,531	32,588	12.10	5.51	343	2,636	-86.99	95,504	-1.11
14	Telephone Employees' Credit Union, Pasadena, Calif.	654,863	600,616	9.03	55,832	50,455	10.66	8.53	2,318	3,899	-40.54	90,052	0.14
15	Construction Equipment Federal CU, Peoria, Ill.	610,448	546,556	11.69	35,381	28,541	23.97	5.80	1,449	5,390	-73.12	135,725	6.54
16	Tinker Credit Union, Tinker AFB, Okla.	595,228	583,404	2.03	32,037	28,266	13.34	5.38	2,955	2,547	15.99	135,033	4.81
17	Lockheed Federal Credit Union, Burbank, Calif.	559,922	507,492	10.33	41,829	28,989	44.29	7.47	4,117	2,818	46.10	81,985	9.50
18	America First Credit Union, Riverdale, Utah	557,853	536,463	3.99	56,434	49,911	13.07	10.12	(473)	4,765	-109.93	149,861	3.83
19	Security Service Federal CU, San Antonio, Tex.	557,075	453,032	22.97	25,812	24,007	7.52	4.63	(1,840)	0	.....	144,493	32.20
20	Delta Employees Credit Union, Atlanta, Ga.	549,268	514,089	6.84	47,038	39,509	19.05	8.56	7,639	4,321	76.80	74,768	13.00
21	San Antonio Federal Credit Union, Tex.	548,541	529,372	3.62	(19,573)	(21,123)	7.34	-3.57	2,882	0	.....	234,953	73.83
22	Redstone Federal Credit Union, Huntsville, Ala.	526,777	503,767	4.57	29,028	23,963	21.14	5.51	168	1,121	-85.03	147,741	7.97
23	Suncoast Schools Federal Credit Union, Tampa, Fla.	518,981	466,246	11.31	37,724	32,416	16.37	7.27	2,349	4,333	-45.78	97,754	6.81
24	TWA Credit Union, Kansas City, Mo.	510,533	548,505	-6.92	22,654	18,967	19.44	4.44	2,101	1,899	10.63	50,643	6.88
25	Provident Central Credit Union, Burlingame, Calif.	506,624	433,421	16.89	47,439	40,842	16.15	9.36	3,950	4,055	-2.60	90,887	9.37
26	State Emp. Credit Union of Maryland, Inc., Towson	492,668	471,683	4.45	30,306	24,000	26.27	6.15	909	2,858	-68.18	122,124	4.14
27	ENT Federal Credit Union, Colorado Springs, Colo.	491,451	450,734	9.03	26,902	25,064	7.33	5.47	1,502	1,351	11.16	102,605	12.41
28	Pennsylvania State Emp. Credit Union, Harrisburg	486,686	446,644	8.97	21,442	16,383	30.88	4.41	1,512	1,250	20.95	134,115	12.00
29	IBM Endicott/Owego Emp. Federal CU, Endicott, N.Y.	471,787	418,627	12.70	38,905	32,071	21.31	8.25	4,081	4,310	-5.30	68,901	1.05
30	Teachers Credit Union, South Bend, Ind.	460,430	424,776	8.39	25,908	23,746	9.10	5.63	466	2,133	-78.15	104,332	9.64
31	Bethpage Federal Credit Union, Bethpage, N.Y.	456,553	426,110	7.14	39,376	33,523	17.46	8.62	2,143	2,968	-27.80	62,107	0.48
32	Texins Credit Union, Dallas	450,516	405,255	11.17	32,539	27,156	19.82	7.22	4,185	0	.....	85,245	1.79
33	Georgia Telco Credit Union, Atlanta	424,557	403,091	5.33	30,015	24,717	21.44	7.07	2,844	8	.....	55,581	3.79
34	North Island Federal Credit Union, San Diego, Calif.	423,970	354,345	19.65	33,019	27,799	18.78	7.79	1,927	3,150	-38.81	108,830	1.42
35	Progressive Consumers Federal CU, Saugus, Mass.	422,399	380,199	11.10	20,558	19,809	3.78	4.87	(5,097)	3,515	-244.99	41,748	3.61
36	Dearborn Federal Credit Union, Dearborn, Mich.	418,772	398,195	5.17	27,704	22,911	20.92	6.62	4,894	2,178	124.71	115,996	3.64
37	JAX Navy Federal Credit Union, Jacksonville, Fla.	413,013	373,813	10.49	32,190	27,438	17.32	7.79	4,740	5,293	-10.43	101,017	2.39
38	Tower Federal Credit Union, Ft. Meade, Md.	411,532	382,595	7.56	23,529	20,961	12.25	5.72	1,155	1,743	-33.75	75,057	3.85
39	Mission Federal Credit Union, San Diego, Calif.	411,189	326,167	26.07	31,089	25,537	21.74	7.56	4,802	2,695	78.17	73,335	10.12
40	Police & Fire Federal Credit Union, Philadelphia	400,083	397,032	0.77	20,006	16,043	24.70	5.00	1,761	2,183	-19.34	62,316	4.84
41	Patelco Federal Credit Union, San Francisco	384,759	314,159	22.47	26,933	20,795	29.52	7.00	2,452	4,083	-39.94	76,449	9.12
42	Atlanta Postal Credit Union	376,000	363,499	3.44	33,654	26,653	26.26	8.95	5,351	27	.....	54,221	3.83
43	Dallas Teachers Credit Union	372,597	348,989	6.76	22,129	19,476	13.62	5.94	2,051	0	.....	103,057	5.26
44	Randolf-Brooks Federal CU, Universal City, Tex.	367,913	323,516	13.72	38,577	33,267	15.96	10.49	5,081	0	.....	72,699	7.38
45	McDonnell Douglas West Federal CU, Torrance, Calif.	357,173	352,435	1.34	34,226	29,309	16.78	9.58	4,709	4,212	11.81	69,909	10.67
46	Charleston Naval Shipyard Federal CU, S.C.	351,571	316,082	11.23	27,480	25,120	9.39	7.82	568	934	-39.17	115,207	-9.97
47	Bank Fund Staff Federal CU, Washington D.C.	350,976	300,340	16.86	27,175	21,116	28.70	7.74	4,708	2,962	58.96	21,226	8.56
48	Municipal Credit Union, New York	349,664	330,357	5.84	18,905	17,056	10.84	5.41	1,919	2,453	-21.80	195,526	3.76
49	Northwest Federal Credit Union, Herndon, Va.	347,873	333,985	4.16	22,070	18,340	20.33	6.34	1,117	1,703	-34.40	10,001	-89.70
50	Marquette Credit Union, Woonsocket, R.I.	341,499	308,871	10.56	27,220	22,176	22.74	7.97	0	3,626	-100.00	36,559	-0.30
51	Government Employees Credit Union of El Paso, Tex.	339,265	310,915	9.12	17,437	15,174	14.91	5.14	1,760	0	.....	126,479	5.40
52	Digital Employees Federal CU, Maynard, Mass.	328,194	292,204	12.32	17,111	13,676	25.12	5.21	1,700	1,848	-7.98	86,261	4.84
53	Travis Federal Credit Union, Vacaville, Calif.	328,147	325,712	0.75	33,830	30,305	11.63	10.31	1,932	4,469	-56.77	73,060	0.77
54	Langley Federal Credit Union, Hampton, Va.	328,127	310,096	5.81	31,478	28,310	11.19	9.59	816	1,183	-30.99	81,992	5.11
55	Los Angeles Teachers Credit Union	324,330	303,293	6.94	34,864	28,247	23.42	10.75	5,110	5,214	-1.98	59,673	2.20
56	Newport News Shipbuilding Employees CU, Va.	305,131	289,082	5.55	35,478	29,970	18.38	11.63	4,794	5,335	-10.15	46,452	0.49
57	Reynolds Carolina Credit Union, Winston-Salem, N.C.	303,752	244,318	24.33	17,681	14,448	22.38	5.82	1,892	1,138	66.25	26,127	14.51
58	NWA Federal Credit Union, Bloomington, Minn.	303,677	252,312	20.36	23,981	21,120	13.54	7.90	718	1,748	-58.95	50,657	14.31
59	Bellco Credit Union, Denver	301,130	297,977	1.06	22,622	21,978	2.93	7.51	(661)	2,187	-130.24	70,619	4.29
60	Desert Schools Federal Credit Union, Pheonix	300,601	270,005	11.33	24,877	20,813	19.53	8.28	2,588	2,473	4.63	98,743	8.28
61	San Diego County Credit Union, San Diego, Calif.	299,852	266,281	12.61	22,880	18,841	21.44	7.63	3,146	2,921	7.70	68,971	10.08
62	St. Mary's Bank Credit Union, Manchester, N.H.	298,877	277,643	7.65	14,016	12,973	8.04	4.69	(1,784)	(407)	-338.64	41,372	11.07
63	Eastman Credit Union, Kingsport, Tenn.	296,680	261,100	13.63	27,240	23,953	13.72	9.18	0	0	.....	26,631	5.75
64	IBM Interstate Employees Federal CU, Rye, N.Y.	293,264	301,663	-2.78	17,964	15,175	18.37	6.13	32	2,562	-98.74	45,005	-2.86
65	Electric Boat Community Federal CU, Groton, Conn.	291,416	277,295	5.09	11,789	10,326	14.17	4.05	252	122	106.72	65,818	1.86
66	Rockland Federal Credit Union, Rockland, Mass.	290,533	267,749	8.51	11,664	9,851	18.41	4.01	(418)	1,029	-140.65	56,931	5.69
67	Portland Teachers Credit Union, Ore.	286,403	255,219	12.22	21,755	19,986	8.85	7.60	809	3,530	-77.09	73,542	9.36
68	Max Federal Credit Union, Montgomery, Ala.	283,357	287,060	-1.29	19,995	18,089	10.53	7.06	1,543	863	78.80	93,327	1.63
69	Robins Federal Credit Union, Warner Robins, Ga.	280,981	263,651	6.57	33,831	30,776	9.93	12.04	1,649	2,737	-39.75	74,770	4.58
70	IBM Mid America Emp. Federal CU, Rochester, Minn.	278,361	253,574	9.78	22,502	19,204	17.18	8.08	1,946	2,707	-28.12	52,512	6.24
71	Andrews Federal Credit Union, Suitland, Md.	277,505	269,406	3.01	21,402	18,835	13.63	7.71	889	2,570	-65.40	108,450	7.03
72	Mountain America Credit Union, Salt Lake City, Utah	277,022	283,626	-2.33	15,522	17,406	-10.82	5.60	(4,096)	2,616	-256.60	91,947	1.43
73	MacDill Federal Credit Union, Tampa, Fla.	276,757	280,605	-1.37	10,781	10,488	2.80	3.90	(668)	659	-201.40	62,043	3.39
74	American Electronics Assoc. CU, Sunnyvale, Calif.	275,672	235,211	17.20	10,239	9,477	8.05	3.71	(2,408)	468	-614.67	95,500	9.55
75	Teachers Federal Credit Union, Farmingville, N.Y.	271,466	252,291	7.60	14,049	10,107	39.00	5.18	2,023	924	119.00	72,764	0.81
76	Educational Employees Credit Union, Fresno, Calif.	270,912	261,814	3.47	17,460	15,960	9.40	6.45	335	1,484	-77.44	53,661	14.62
77	East Hartford Aircraft Federal CU, Conn.	269,988	309,910	-12.88	22,506	18,831	19.51	8.34	1,881	1,084	73.46	91,089	2.45
78	Litton Federal Credit Union, Chatsworth, Calif.	268,531	248,989	7.85	19,710	15,725	25.34	7.34	3,445	1,880	83.23	54,236	-11.76
79	Kern Schools Federal CU, Bakersfield, Calif.	266,926	248,886	7.25	23,708	21,449	10.54	8.88	2,107	3,020	-30.24	59,354	6.73
80	Wright-Patt Credit Union, Fairborn, Ohio	264,270	259,125	1.99	20,832	18,449	12.92	7.88	(691)	1,144	-160.42	128,643	4.34
81	Dow Chemical Employee CU, Midland, Mich.	264,179	253,828	4.08	27,335	25,352	7.82	10.35	1,158	1,927	-39.88	28,258	7.60
82	Brockton Credit Union, Mass.	262,752	245,885	6.86	24,272	25,626	-5.28	9.24	2,209	N.A.	N.A.	N.A.	N.A.
83	Pacific Service Employees CU, Concord, Calif.	260,899	265,883	-1.87	21,777	17,823	22.19	8.35	3,035	3,987	-23.87	35,623	1.02
84	Rhode Island Central Credit Union, Warwick, R.I.	260,857	229,163	13.83	24,761	18,381	34.71	9.49	5,235	0	.....	22,154	9.41
85	Eglin Federal Credit Union, Ft. Walton Beach, Fla.	256,837	235,019	9.28	20,712	15,853	30.65	8.06	3,530	3,431	2.90	79,558	3.83
86	Schools Federal Credit Union, Sacramento, Calif.	256,737	235,726	8.91	18,702	16,225	15.26	7.28	1,029	2,017	-48.99	66,636	4.47
87	Springmaid Federal Credit Union, Lancaster, S.C.	255,379	217,321	17.51	22,029	17,962	22.65	8.63	1,967	1,467	34.08	47,518	9.69
88	United Nations Federal Credit Union, New York, N.Y.	255,055	224,317	13.70	21,572	17,852	20.84	8.46	3,552	3,720	-4.52	16,710	4.92
89	Washington State Employees Credit Union, Olympia	254,409	221,093	15.07	17,000	14,433	17.79	6.68	1,090	1,997	-45.44	59,175	7.52
90	Operating Engineers Local Union #3 Federal CU, Dublin, Calif.	254,074	233,333	8.89	21,106	17,714	19.15	8.31	2,111	1,399	50.87	31,489	11.74
91	Texas Dow Employees CU, Lake Jackson, Tex.	253,854	234,131	8.42	20,466	16,760	22.11	8.06	2,585	0	.....	35,114	5.92
92	IBM Coastal Employees Federal CU, Raleigh, N.C.	252,420	219,715	14.89	19,678	16,491	19.33	7.80	3,199	3,415	-6.32	45,888	5.70
93	Melrose Credit Union, Woodside, N.Y.	251,671	258,217	-2.53	48,271	50,843	-5.06	19.18	3,797	27,580	-86.23	17,393	17.72
94	America's First Credit Union, Birmingham, Ala.	249,844	243,522	2.60	17,215	16,337	5.38	6.89	1,340	1,677	-20.11	85,130	-1.39
95	Nevada Federal Credit Union, Las Vegas	249,388	243,492	2.42	14,759	13,103	12.64	5.92	(200)	1,419	-114.10	62,582	0.61
96	Long Beach School Employees Federal CU, Calif.	245,880	238,603	3.05	16,767	15,577	7.63	6.82	235	319	-26.30	42,481	9.37
97	LTV Federal Credit Union, Grand Prairie, Tex.	245,867	226,232	8.68	14,193	11,805	20.23	5.77	1,862	0	.....	42,368	2.03
98	Finance Center Federal CU, Indianapolis, Ind.	245,546	240,288	2.19	14,441	13,007	11.02	5.88	(10,660)	3,209	-432.14	83,522	7.44
99	Municipal Employees Credit Union of Baltimore	244,277	235,085	3.91	23,010	20,534	12.06	9.42	1,609	1,456	10.49	50,307	2.23
100	TRW Systems Federal CU, Manhattan Beach, Calif.	244,097	234,055	4.29	19,608	13,549	44.72	8.03	4,729	3,494	35.35	43,907	-1.59
	Totals for the Top 100 ($ million)	**47,122.4**	**43,941.5**	**7.24**	**3,320.4**	**2,886.1**	**15.05**	**7.05**	**183.6**	**304.7**	**-39.72**	**9,400,308**	**5.58**
	Totals for all credit unions[1] ($ million)	**203,300**	**198,500**	**2.42**	**15,800**	**13,956**	**13.21**	**7.77**	**839.4**	**1,289.2**	**-34.89**	**58,482,657**	**3.93**

Data Source: The data were provided by **Callahan & Associates, Inc.,** Washington, D.C., (1-800-446-7453) from its credit union data base, which includes both state- and federally-insured credit unions. **Capital:** The sum of statutory reserves for loan losses, other reserves and undivided earnings. **Cap. Ratio:** The ratio of capital to total assets. **Net Income:** Income from operations net of cost of funds and statutory reserve transfers. **Zero** net income indicates that all net income has been transfered to statutory reserves. **(1)**— At yearend 1989, there were 14,884 active credit unions, down from 15,032, at yearend 1988. **N.A.**— not available.

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Lenient View Of Owning Bank Gains Support

By YVETTE D. KANTROW

NEW YORK — Samuel J. Baptista, president of the Financial Services Council, remembers the time three years ago when people hooted at him as a Don Quixote for suggesting that just about anybody should be able to own a bank. Now, he maintains, such an idea is no longer so far-fetched and is, in fact, gaining momentum in Washington.

Indeed, Mr. Baptista's proposal serves as the cornerstone of the Depository Institution Affiliation Act, a bill introduced by Rep. Doug Barnard, D-Ga., last spring. But whether it will be the ultimate answer to such a complex question as the restructuring of the financial services industry is by no means certain. Many other bills are in the development stages and have yet to be heard from.

ANALYSIS: *Follow-up on the news*

Rep. Barnard's bill would allow banks, insurance companies, securities brokers, and all other commercial companies to enter one another's businesses.

At the least, it has the attention of all the constituent groups affected. And, as Mr. Baptista boasts, it has focused the issue on restructuring the financial services industry as a whole, rather than on the more limited issue of additional powers of banks, which had been the debate for years.

Battle for Position

"There's a growing desire to want to do something major instead of just something around the edges," said Edward L. Yingling, executive director of the American Bankers Association. But while they favor a major industry restructuring, most banking groups are unwilling to cross a line that would allow industrial and commercial companies to own banks.

Indeed, the jockeying for position has just begun. Trade associations, regulators, and the Bush administration are all busy preparing trial balloons, taking positions, and forming alliances, in the hope of protecting their interests when the country's financial services industry undergoes an overhaul.

. "This is a year of groundwork laying," said Joe Belew, president of the Consumer Bankers Association. "Everyone is spending their time building their cases so they have a strategy next January. It's going to be quite a show."

While it is unlikely that Con-

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INSIDE NEWS

FINANCE

NORTHEAST BANCORP shares plunged on new worries that Bank of New York may not acquire it, while the stock of Baltimore Bancorp rose on word of an unsolicited bid from First Maryland Bancorp, a unit of Allied Irish Banks. *Page 20*

INTERNATIONAL

MITSUBISHI BANK is shifting to more profitable areas of lending in Japan, such as the consumer sector and the middle market. *Page 12*

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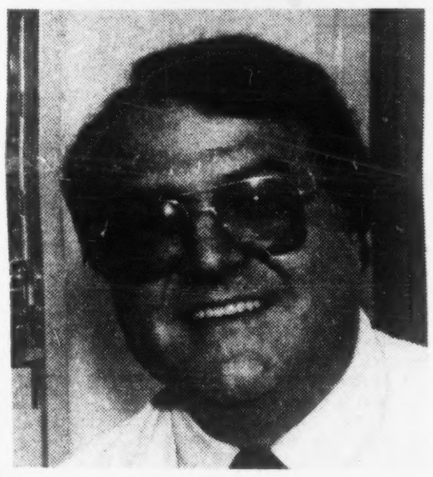
A MIXED REVIEW from the FDIC and turmoil in the Japanese financial markets have raised questions about the Honolulu market. *Page 8*

PEOPLE



GEORGE M. SALEM, a Prudential-Bache analyst and renowned basher of U.S. bank stocks, has written a report bolstering his poor prognosis for the industry. *Page 2*

CONSUMER

THE NATIONAL CREDIT Union Administration is finding that a heavy dose of regulatory medicine can work wonders for sick credit unions. *Page 10*

TECHNOLOGY

LOCKBOX SERVICES differ only slightly from one bank to the next, and pricing provides a way for a bank to differentiate its products, according to a survey. *Page 3*

COMMENT

WELLS FARGO makes its money as much or more on cheap liabilities as on high-priced assets, writes Sanford Rose. *Page 4*

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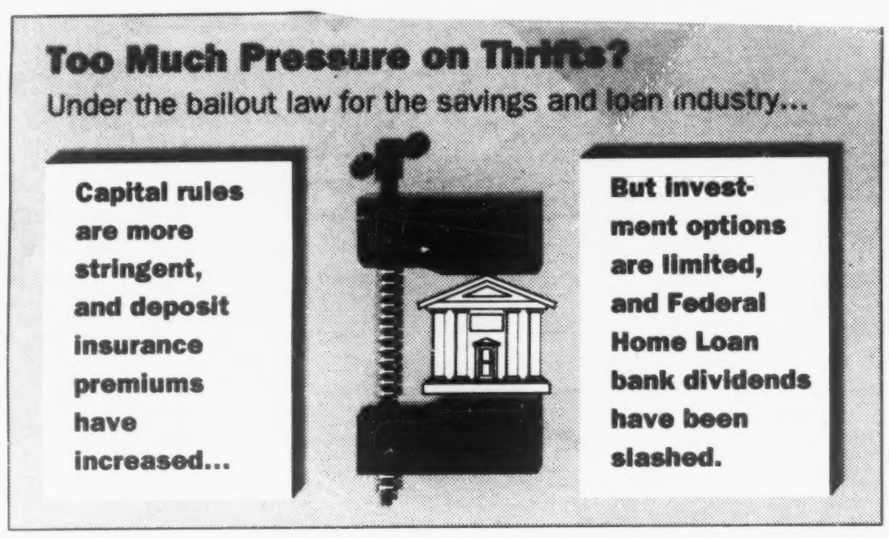
Too Much Pressure on Thrifts?
Under the bailout law for the savings and loan industry...
Capital rules are more stringent, and deposit insurance premiums have increased...
But investment options are limited, and Federal Home Loan bank dividends have been slashed.

Thrift Law, Restricting S&L Loans To Low Margins, Impedes Rescue

By PHIL ROOSEVELT

NEW YORK — The massive effort to rescue the thrift industry is being hobbled by the very law that set it in motion.

THRIFTS: *The Crisis Worsens*

Second in a series

The Financial Institutions Reform, Recovery, and Enforcement Act of 1989 was designed to guide the largest-ever federal rescue and prevent another crisis. But a growing number of experts say that provisions in the law also created one of the clean-up's biggest obstacles: a fundamental reduction in the profit potential of thrifts.

Now, scores of marginal S&Ls that otherwise might have improved are headed toward failure, industry executives and analysts say. And investors are showing little interest in the government's burgeoning warehouse of seized thrifts.

"At a time when the government is trying to attract capital to the industry, they've done about everything they can to decrease investor interest in thrifts," asserts Thomas J. Owen, chief executive of Perpetual Savings Bank, a $6.3 billion-asset thrift based in Vienna, Va.

Mr. Owen and others say the law has reduced the appeal of thrifts by:

- Requiring thrifts to increase

See **THRIFT** *page* **13**

Allied Irish Bids for U.S. Bank, Gets Chilly Reply

By JOHN EVANS

LONDON — An unsolicited offer Monday by the U.S. unit of Allied Irish Banks PLC to acquire Baltimore Bancorp. may turn into the first hostile attempt by a foreign bank to acquire a U.S. banking company.

The $17-a-share offer by First Maryland Bancorp was pitched at a hefty 66% premium above Baltimore Bancorp.'s closing price Friday. Dublin-based Allied Irish maintained that the $217 million cash bid, though unsolicited, was "friendly."

A Bitter Reaction

Baltimore Bancorp. reacted bitterly to the unsolicited offer, saying the way it was revealed created "a hostile atmosphere." Allied Irish said its offer remains on the table despite the Maryland company's response.

Baltimore Bancorp.'s stock rallied on news of the bid. Its shares traded at $14.875 Monday afternoon, up $3.125 from Friday's close.

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FDIC Extends Its Coverage Of '457' Plans

By BARBARA A. REHM

WASHINGTON — The Federal Deposit Insurance Corp. board voted unanimously Monday to extend for 21 months its insurance coverage on $4 billion in thrift deposits held by deferred-compensation plans.

The extension gives Congress until January 1992 to enact permanent insurance coverage for participants in those employee-benefit plans, known as "457" plans. Each member is currently insured up to $100,000, but the FDIC had proposed curtailing that coverage to limit its exposure to $100,000 per group plan.

It's Up to Congress

In its action Monday, the FDIC board left it up to Congress to keep the current policy in effect beyond next year.

The board also agreed to provide the $100,000 insurance to anyone who joins a 457 plan before October 1991. The FDIC staff wanted only to "grandfather" people already contributing as of July 29, 1990, but was overruled by Chairman L. Wil-

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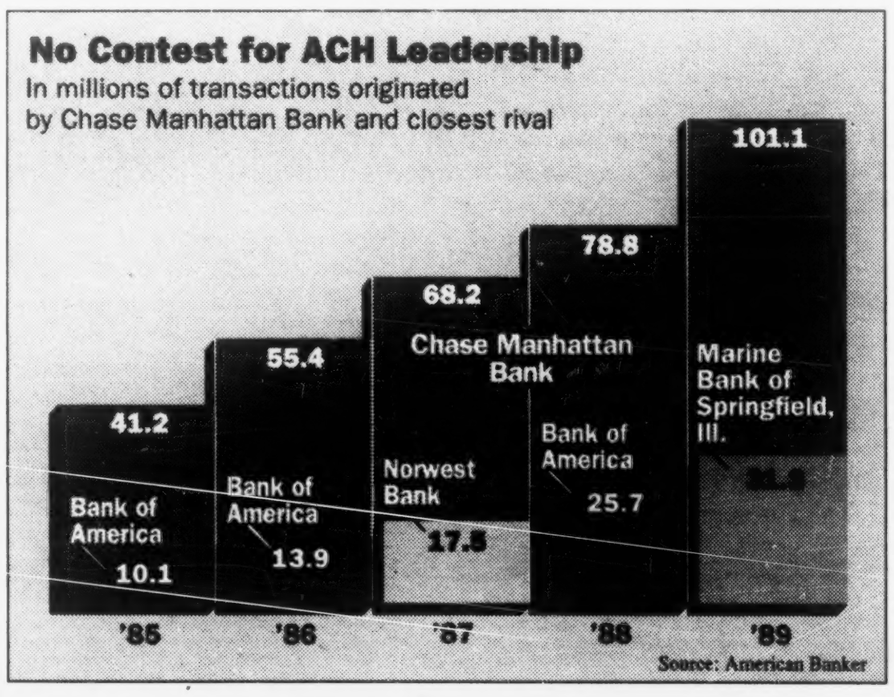

Chase Sets Clearing-House Record With Over 100 Million Transactions

By JEFFREY KUTLER

NEW YORK — Continuing its supremacy in the automated clearing house business, Chase Manhattan Bank in 1989 became the first to initiate more than 100 million transactions through that paperless payment system.

The *American Banker*'s annual automated clearing house survey shows that Chase in 1989 originated 101.1 million debit and credit entries, or 12% of the 844 million ACH payments in the private sector. (The ranking of the top 100 appears on page 6.) Chase's volume equaled that of Nos. 2, 3, and 4 on the list combined, plus half that of No. 5.

Several other banks made impressive gains last year, though without cutting into Chase's lead. Chase's 28% growth in 1989 exceeded the 26% for private-sector ACH activity as a whole, which includes direct payroll deposits and consumer

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COMMENT/ *By Sanford Rose*

A Balanced Bank

The dominant industry view of Wells Fargo Bank is that of a high-flying lender and a penny-pinching cost controller. Fixated on the lush yields in the bank's book of leveraged buyout loans and on stories about CEO Carl Reichardt's parsimony, the average analyst tends to overlook the bank's strength as a funder.

That this neglect is unfortunate is clear from an analysis just done by the First Manhattan Consulting Group. The analysis reveals that most of Wells' earnings gain during the 1983-1988 period – relative, that is, to the average large bank – was traceable to a dramatic improvement in its funding position.

In 1983, Wells' pretax interest expenses per dollar of assets were 80 basis point higher than that of the average banking company among the top 250 in the country. That is, its interest expenses would have been this much higher had the bank operated with the same ratio of equity to assets as the typical top-250 bank.

By 1988, however, Wells' leverage-adjusted interest expenses were 40 basis points lower than the average. Other things being equal, this astonishing turnaround in pretax interest costs would have accounted for about a 12-percentage-point aftertax improvement in the bank's relative return on equity.

Significantly, although there was some improvement in interest expenses before Wells' 1986 acquisition of Crocker Bank, most of the gain occurred after. Crocker provided Wells with oodles of cheap money, helping the bank to raise the proportion of assets funded with core deposits from about 60% in the mid-'80s to around 70% in the late '80s. In fact, Crocker gave Wells so many rate-insensitive core monies that management, fearful of excess exposure to declining rates, found it necessary to buy a wad of long-term bonds, which, unhappily, have not performed especially well.

Wells' mix of funds is now much more attractive than that of the run-of-the-mill top-250 bank. To be sure, its hoard of demand deposits and NOWs is only marginally higher. But in 1988 it funded about 27% of its assets with money market deposit accounts, a figure some 7 percentage points above that of the typical top-250 bank. And, as is well known, MMDA rates in California have for the last few years been appreciably lower than the national average.

Because Wells has so many cheap MMDAs, it has little need of the more expensive jumbo CDs. In 1988, the proportion of its assets funded with jumbos amounted to 3.8 percentage points less than the large-bank norm.

Wells Fargo is without doubt a penny pincher.

The data also tend to belie Wells' reputation as a super-aggressive loan-yield generator and, by contrast, an indifferent producer of fee revenue. Some 30 basis points of commitment and other fees that were reported as interest income from 1983 through 1987 should more properly be classified as noninterest revenue, says First Manhattan Consulting. When this is done, the bank's relative yield advantage, of course, diminishes, while its relative fee position improves.

In 1988, Wells' gross interest income as a percent of assets was 20 basis points higher than the average of the 250 banks. But this was down from a 50-basis-point advantage held in 1985. In contrast, its ratio of fee income to assets was 35 basis points above average in 1988, whereas a few years earlier it had been 5 basis points below average.

In one respect at least, the conventional wisdom regarding Wells seems well-founded. The bank is without doubt a penny pincher. Once again, it went from being a below-average performer in 1983 to a position of manifest superiority in expense control. The bank's 1988 expenses as a percent of assets were 40 basis points lower than those recorded by the typical top-250 bank with a comparable business mix.

Cooking on All Cylinders

The picture that emerges from this brief analysis is that of a well-balanced bank. Bank earnings performance can be viewed as an engine powered by four cylinders: the asset yield, the liability yield, fee income, and expense productivity. According to First Manhattan Consulting, a bank with average power in each of these four cylinders can look forward to a return on equity of around 16%, which, given today's interest rates, is probably sufficient to elevate its stock price to a premium over book value.

Some banks, however, generate better-than-average power from one or more cylinders. And a very few institutions, like Wells, seem to be cooking on all cylinders. Such strongly balanced banks boast ROEs in the 20%-plus range.

First Manhattan Consulting identifies at least seven large banks that currently qualify as strongly balanced. Besides Wells, they are: Fifth Third of Ohio, CoreStates, Banc One, Indiana National, SunTrust, and Sovran. □

CRIME BLOTTER/ *By Tom Leander*

Thift Fraud Ranked On Top Crimes List

U.S. Attorney General Dick Thornburgh listed thrift fraud among seven major types of white-collar crime in this country, estimating last week that up to 30% of S&L failures can be attributed to criminals.

Dick Thornburgh

"Twenty-five to 30%, conservatively, of these 'thrift failures' can be laid to actual wrongdoing by miscreant bank officials," the head of the Justice Department said in a address to the Dallas Friday Group, an organization of senior executives and government relations officers in Dallas-area businesses. Mr. Thornburgh praised the Dallas Bank Fraud Task Force for its role in obtaining 66 indictments and 49 convictions.

After his speech, the nation's top prosecutor said he sees little hope of making any substantial recovery of money looted from the thrifts.

"Those who prosecuted these crimes are pessimistic to effect any substantial recovery.

"Some of them have dissipated, some are beyond our reach, and a lot of them are collaterals which were vastly overvalued. I have said at the outset that we have to be realistic about recovery," he said.

* * *

Tellers to Watch Out For Bilking of Elderly

Illinois Attorney General Neil Hartigan is enlisting the aid of bank tellers to help prevent fraud against the elderly.

Beginning June 1, officials from Mr. Hartigan's office will instruct tellers and police officers in ways to derail confidence schemes aimed at separating the elderly from their money. The Senior Cash Alert Monitoring System, or Scam, was announced last week by Mr. Hartigan.

If tellers think they are witnessing a fraud, they will be instructed to activate a surveillance camera and inform bank executives and the police, according to Ernest Slottag, a spokesman for the Illinois attorney general's office.

Many fraudulent schemes to victimize the elderly are perpetrated through banks, Mr. Slottag said. In one common example, he said, a confidence man – posing as a banker – approaches a senior citizen. He asks the senior citizen to withdraw all the cash from his or her account and hand it over.

The confidence man says the withdrawal is necessary to monitor the bank's record-keeping efficiency. He promises to return the money the next day.

Tellers will be taught to watch for any unusual signs when senior citizens withdraw large sums from their accounts.

The effort is supported by the Illinois Bankers Association, the Community Bankers Association of Illinois, Illinois League of Savings Institutions, and the Illinois Credit Union League.

* * *

Conterfeiting Case Nets 3 Indictments

A federal grand jury has indicted two men from Canada and one from Oregon on 29 counts involving $4.7 million in counterfeit U.S. Treasury checks.

Harvey To-Kong Wong, 41, and Siu-San Lam, 30, both of Vancouver, British Columbia, and Michael Busher, 38, of West Linn, Ore., were arrested in Everett, Wash, in early March, when they attempted to cash a counterfeit Treasury check for more than $1.47 million.

They are charged with money laundering and conspiracy to deliver and pass bogus Treasury checks, U.S. Attorney Mike McKay said. The three allegedly passed eight counterfeit U.S. Treasury checks totaling $14.5 million at a Vancouver, Wash., branch of Seattle-First National Bank, according to Mr. McKay.

In its quarterly report, Seattle First said it had set aside a $5 million reserve in connection with deposits of counterfeit government checks. The checks were counterfeited in Hong Kong and sent to British Columbia, then brought to the United States to be cashed, according to the indictment.

The operation was uncovered in January when Mr. Wong and Mr. Lam contacted a man in Vancouver, B.C., and asked him to cash counterfeit checks. The man notified Canadian authorities, who called the FBI.

All three suspects were in custody in the Puget Sound area, said John Carver, assistant U.S. attorney. The scheme resulted in a loss of about $4.7 million, Mr. Carver said.

* * *

Legal Onslaught Proceeds Against Texas Bank Fraud

In a continuing crackdown on bank and thrift fraud in south Texas, the U.S. attorney's office in San Antonio released a dozen indictments last week charging employees and customers of nine banks and thrifts with fraud and embezzlement.

All 12 indictments were for unrelated cases, prosecutors said. The indictments alleged crimes against Frost National Bank, NCNB Texas National Bank, the San Antonio Federal Credit Union, San Antonio Savings Association, Gil Savings Association, La Hacienda Savings Association, Medcentre Bank, and Union Bank, all in San Antonio. One indictment involved Mason National Bank in Mason, Tex.

According to U.S. Attorney Ronald Ederer, the alleged crimes involved sums ranging from $100 to $400,000. Investigations by the U.S. attorney's office in San Antonio have resulted in about 100 indictments of bank and thrift crimes. □

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Top Originators of ACH Payments

Rank 1989	Rank 1988*		Debit Transactions	Credit Transactions	Total Transactions	Annual Growth
1	1	Chase Manhattan Bank NA, New York	87,514,513	13,563,892	101,078,405	28%
2	4	Marine Bank of Springfield, Ill.	30,254,747	1,075,216	31,293,963	38
3	2	Bank of America NT&SA, San Francisco	13,622,673	16,605,890	30,228,563	17
4	3	Norwest Bank Minnesota NA, Minneapolis	24,171,126	4,806,909	28,976,035	28
5	5	Northern Trust Co., Chicago	6,230,905	13,044,943	19,275,848	22
6	6	Mellon Bank NA, Pittsburgh	6,432,545	9,835,409	16,267,954	6
7	8	First National Bank of Atlanta	2,773,524	11,791,221	14,564,745	41
8	9	Bank One Columbus NA, Ohio	9,565,033	3,501,898	13,066,931	34
9	7	First National Bank of Boston	3,218,366	7,642,117	10,860,483	4
10	16	NCNB Texas National Bank, Dallas	NA	NA	10,101,948	47
11	10	First Bank NA, Minneapolis	5,067,448	4,829,832	9,897,280	9
12	12	Harris Trust & Savings Bank, Chicago	6,318,417	3,558,152	9,876,569	29
13	14	Wachovia Bank & Trust Co. NA, Winston-Salem, N.C.	5,983,789	3,261,900	9,245,689	22
14	13	Security Pacific National Bank, Los Angeles	3,717,876	5,022,415	8,740,291	15
15	15	Chemical Bank, New York	3,042,801	5,095,059	8,137,860	13
16	18	Connecticut National Bank, Hartford	3,612,571	4,369,910	7,982,481	21
17	11	M&I Marshall & Ilsley Bank, Milwaukee	NA	NA	7,421,945	(9)
18	23	Citibank NA, New York	NA	NA	7,400,000*	39
19	43	Texas Commerce Bank NA, Houston	NA	NA	7,232,460	118
20	26	National Bank of Detroit	2,666,835	4,355,176	7,022,011	44
21	20	Citizens & Southern National Bank, Atlanta	2,293,248	4,318,569	6,611,817	13
22	44	First City, Texas-Houston NA	NA	NA	6,597,624	100
23	17	Wells Fargo Bank NA, San Francisco	1,104,169	5,444,008	6,548,177	(1)
24	21	CoreStates Financial Corp., Philadelphia	NA	NA	6,544,153	18
25	28	Manufacturers Hanover Trust Co., New York	2,155,678	4,306,558	6,462,236	36
26	34	First National Bank of Omaha	5,354,540	1,077,540	6,432,080	60
27	27	First Union National Bank, Charlotte, N.C.	3,429,987	2,953,138	6,383,125	33
28	24	Shawmut Bank NA, Boston	1,378,839	4,868,248	6,247,087	19
29	30	First National Bank of Chicago	3,539,661	2,542,884	6,082,545	40
30	19	Trust Company Bank, Atlanta	4,443,848	1,543,032	5,986,880	0
31	25	Boatmen's First National Bank, Kansas City, Mo.	5,539,973	418,774	5,958,747	17
32	22	AmSouth Bank NA, Birmingham, Ala.	5,389,219	432,937	5,822,156	6
33	29	First National Bank of Maryland, Baltimore	1,969,000	3,807,000	5,776,000	30
34	32	First Interstate Bank of California, Los Angeles	2,242,270	3,321,954	5,564,224	37
35	31	National City Bank, Cleveland	3,410,850	1,883,497	5,294,347	24
36	38	Valley National Bank, Phoenix	NA	NA	5,169,287	32
37	35	Norwest Bank Des Moines NA	3,006,468	1,935,251	4,941,719	23
38	45	Continental Bank NA, Chicago	2,512,762	2,356,224	4,868,986	49
39	36	United Bank of Denver NA	2,215,317	2,593,076	4,808,393	22
40	39	Boatmen's National Bank, St. Louis	3,109,835	1,593,753	4,703,588	25
41	53	Citizens Fidelity Bank & Trust Co., Louisville	1,589,625	3,033,310	4,622,935	69
42	33	Ameritrust Co. NA, Cleveland	2,405,973	1,897,853	4,303,826	6
43	37	Connecticut Bank & Trust Co. NA, Hartford	2,431,135	1,814,549	4,245,684	8
44	-	Central National Bank, Waco, Tex.	NA	NA	3,994,872	-
45	47	NCNB National Bank of North Carolina, Charlotte	1,338,177	2,565,627	3,903,804	25
46	41	First Interstate Bank of Denver NA	2,729,046	1,162,843	3,891,889	11
47	42	Fifth Third Bank, Cincinnati	536,575	3,223,183	3,759,758	11
48	55	Banc One Texas NA, Dallas	NA	NA	3,704,772	39
49	59	Chase Lincoln First Bank NA, Rochester, N.Y.	419,442	3,186,176	3,605,618	53
50	49	United Jersey Bank, Hackensack	1,599,956	1,934,086	3,534,042	24
51	52	Sovran Bank NA, Richmond	987,709	2,333,474	3,321,183	20
52	60	First Wisconsin National Bank, Milwaukee	1,268,897	2,039,811	3,308,708	40
53	40	First Interstate Bank of Oklahoma, Oklahoma City	2,793,289	514,660	3,307,949	(10)
54	48	Commerce Bank of Kansas City NA	2,722,686	551,743	3,274,429	5
55	97	Deposit Guaranty National Bank, Jackson, Miss.	NA	NA	3,119,155	150
56	80	Riggs National Bank, Washington	256,000	2,618,000	2,874,000	84
57	50	Bank of New England NA, Boston	338,251	2,526,463	2,864,714	1
58	65	Pittsburgh National Bank	587,672	2,210,886	2,798,558	31
59	67	Bank of Hawaii, Honolulu	1,085,205	1,709,068	2,794,273	34
60	68	Seattle-First National Bank	1,631,963	1,144,705	2,776,668	37
61	58	Bank One Dayton NA, Ohio	459,808	2,264,002	2,723,810	15
62	54	Norwest Bank Nebraska NA, Omaha	2,364,792	324,594	2,689,386	0
63	56	Union Bank, San Francisco	1,601,945	1,045,624	2,647,569	3
64	46	First Interstate Bank of Arizona NA, Phoenix	NA	NA	2,619,205	(19)
65	62	Society National Bank, Cleveland	836,409	1,714,592	2,551,001	14
66	86	INB National Bank, Indianapolis	1,469,178	1,017,444	2,486,622	73
67	57	First Security Bank of Utah NA, Salt Lake City	1,432,473	1,053,274	2,485,747	2
68	63	Mercantile Bank NA, Clayton, Mo.	2,058,726	411,258	2,469,984	11
69	61	Bank South NA, Atlanta	1,433,368	995,554	2,428,922	7
70	-	Citibank (Delaware), New Castle	NA	NA	2,402,187	-
71	72	NCNB National Bank of Florida, Tampa	623,953	1,675,150	2,299,103	32
72	93	First American National Bank, Nashville	1,131,980	1,122,715	2,254,695	70
73	89	First Tennessee Bank NA, Memphis	NA	NA	2,236,409	65
74	76	Huntington National Bank, Columbus, Ohio	1,039,849	1,172,549	2,212,398	36
75	69	First National Bank of Louisville	1,205,099	973,420	2,178,519	11
76	66	Southeast Bank NA, Miami	1,240,225	891,564	2,131,789	2
77	64	Bankers Trust Co., New York	NA	NA	2,100,000	0
78	79	Star Bank NA, Cincinnati	1,254,415	823,564	2,077,979	31
79	71	Security Pacific Bank Washington, Seattle	375,551	1,665,512	2,041,063	15
80	88	State Street Bank & Trust Co., Boston	1,016,881	987,587	2,004,468	43
81	78	Citizens & Southern National Bank, Charleston, S.C.	NA	NA	1,968,936	24
82	77	First Interstate Bank of Oregon NA, Portland	342,813	1,570,731	1,913,544	19
83	90	Crestar Bank, Richmond	616,517	1,261,768	1,878,285	39
84	83	Liberty National Bank & Trust Co., Louisville	744,000	1,116,000	1,860,000	25
85	-	Signet Bank/Maryland	1,544,000	295,000	1,839,000	-
86	74	Maryland National Bank, Baltimore	587,000	1,248,000	1,835,000	6
87	85	Boston Safe Deposit & Trust Co.	34,022	1,795,839	1,829,861	24
88	73	United States National Bank, Portland, Ore.	1,102,192	714,607	1,816,799	4
89	81	United Missouri Bank of Kansas City NA	1,066,444	672,615	1,739,059	13
90	94	Western Bank, Sioux Falls, S.D.	1,680,938	37,715	1,718,653	33
91	95	American Security Bank NA, Washington	896,000	763,000	1,659,000	29
92	104	First Fidelity Bank NA, Newark, NJ.	314,276	1,283,190	1,597,466	46
93	82	Commonwealth National Bank, Harrisburg, Pa.	NA	NA	1,580,370	6
94	87	First Pennsylvania Bank NA, Philadelphia	NA	NA	1,578,360	11
95	-	Michigan National Bank, Farmington Hills	506,615	1,066,805	1,573,420	-
96	96	Union National Bank, Little Rock, Ark.	649,617	885,810	1,535,427	23
97	107	Security Pacific Bank Arizona, Phoenix	NA	NA	1,508,696	44
98	70	BancOhio National Bank, Columbus	316,123	1,154,266	1,470,389	(19)
99	98	Sun Bank NA, Orlando	171,082	1,252,964	1,424,046	15
100	-	FirsTier Bank NA, Omaha	776,393	622,522	1,398,945	-

Most data obtained from regional automated clearing houses. Some were confirmed by, or obtained directly from, the originating banks.

*Estimate. Citibank was the largest of several New York banks for which exact numbers were unavailable.

NA-Not available.

Chase Sets Clearing-House Record With Over 100 Million Transactions

Continued from *page* **1**

and corporate bill payments.

"They are a real success story," said an executive at a competing bank in the Northeast. "They've made the ACH business their own, and the rest of us are left fighting for a limited piece of the pie."

"We like to think we are pretty successful in our markets, but every year our realistic goal has only been second place," conceded Carol Daniels, ACH product manager at Norwest Bank Minneapolis, which matched Chase's 28% growth last year and ranked fourth in payments sent into the ACH system.

Small Regional Is No. 1

Most notable among the other gainers was Marine Bank of Springfield, Ill. Its $1 billion in assets may be dwarfed by the nation's largest banks, but its commitment to the ACH business is not: Last year it vaulted past Norwest and Bank of America to rank second only to Chase in total originations.

Marine Bank's 31.3 million items exceeded Bank of America's by 1.1 million and Norwest's by 2.4 million, and its 38% growth rate was the best in the top 10, except for NCNB Texas National Bank's 47%, which lifted the NCNB Corp. unit to No. 10 from No. 16 the year before.

Two other Texas banks – First City Bancorp.'s Houston affiliate and Texas Commerce Bank, the Houston outpost of Chemical Banking Corp. – doubled their clearing house volumes last year, in part due to consolidation of the operations of affiliates. Each now ranks among the 25 largest ACH originators, but below the top 50 according to deposit size.

They are among many banks that perform in the ACH business out of proportion to their size: No. 4 Norwest ranks 67th by deposits; No. 5 Northern Trust Co., Chicago, is 76th; No. 7 First National Bank of Atlanta is 57th. The Atlanta bank's ACH volume exceeds that of its First Wachovia Corp. sibling, Wachovia Bank & Trust Co., which is the 23d-largest bank.

The $150 million-asset Central National Bank of Waco, Tex., became the smallest institution to make the top 100 in the five years that the *American Banker* has been compiling it. The Texas bank ranked 44th in 1989, with almost four million ACH items, as new management introduced practices they learned at larger banks where they previously worked.

A Start in Insurance

Even as banks of all sizes accelerated their promotions of payment services that were mired in slow growth until a few years ago, the flagship of Chase Manhattan Corp. kept the stranglehold on the top spot it has held since the formation of the national payment network in the mid-1970s.

As has been true since the beginning, the vast majority of Chase's items are debits such as insurance-premium payments. On an agreed-upon schedule, the bank automatically moves money from a policyholder's checking account to an insurer's account, eliminating the need for a paper check or draft.

The life insurance industry has been the source of most of the debit volume that brought other banks well up on the ACH-originations list – including Marine Bank, Norwest, and Central National of Waco – but Chase remains in a class by itself.

Chase's dominance was already pronounced by 1984, the year of the first *American Banker* survey of the paperless payment system, when Chase's 41.2 million transactions exceeded runner-up Bank of America's by a factor of four.

By 1988, the New York bank's margin had shrunk to 3.26 times the volume of its closest competitor, which again was BankAmerica Corp.'s Bank of America. In 1989, as Bank of America slipped from second to third with a 17% growth rate, Marine Bank edged into the No. 2 spot. But Chase widened its margin over the runner-up to a factor of 3.24.

No Gloating at Chase

Chase was reeling from a 16% growth rate in 1988, which was 11 percentage points less than the gain in all banks' originations that year, according to aggregate data from the National Automated Clearing House Association. The association also said that of 1.3 billion ACH payments last year, 844 million were in the private sector, and 487 were federal government payments like Social Security disbursements.

James J. Hopes, a Chase vice president, said the bank entered 1989 resolved to do better, and no single company or market inroad brought its growth back above the private-sector norm of 26%.

"We're trying harder; we'd like to get more than our share," said Mr. Hopes, who is also president of Chase ACH Inc., the only automated clearing house in the country operated for a single banking organization.

"The insurance-debit field is still growing," he added. "We have not tapped into the whole property-casualty area, and we expect to see significant new growth there."

POS Volume Lagging

Chase is also poised to take advantage of transactions initiated at retail points of sale, where several large merchants, including Exxon Co. USA and Mobil Oil Corp., allow customers to pay with debit cards and have the funds transferred within a day or two via the automated clearing house. ACH marketers tout this system as less costly than the more immediate, on-line electronic networks operated by regional automated teller machine cooperatives, but consumer usage has been meager except in Arizona and California.

The major Arizona banks, in a system called the Cactus Switch, have built their consumer transaction network around the automated clearing house rather than an on-line system like Interlink, which dominates the California POS market.

"We are doing one million POS debits a month, and when you consider there are only three

See **NORWEST** *next page*

Norwest and Illinois' Marine Made Gains in 1989 ACH Transactions

Continued from *page* **6**

million people in the state, that's pretty phenomenal," said Paul W. Finch, president of the Arizona Clearing House Association. The largest ACH originator there, Valley National Bank, ranked 36th on the 1989 *American Banker* list with 5.2 million transactions.

"We know of some service stations that are doing 50% of their transactions in ACH debits," Mr. Finch said. "Some supermarkets do 10% of their volume on debit cards on peak days, and that compares with only 20% [on] checks."

Elsewhere, "POS has not made a significant dent in ACH volume – yet," said Mr. Hopes of Chase. "We are hoping some POS tests we are in will show up in this year's volume. We see supermarkets coming along faster than oil companies because it is an easier sell. They can advertise debit as an electronic check, and people use checks at supermarkets all the time."

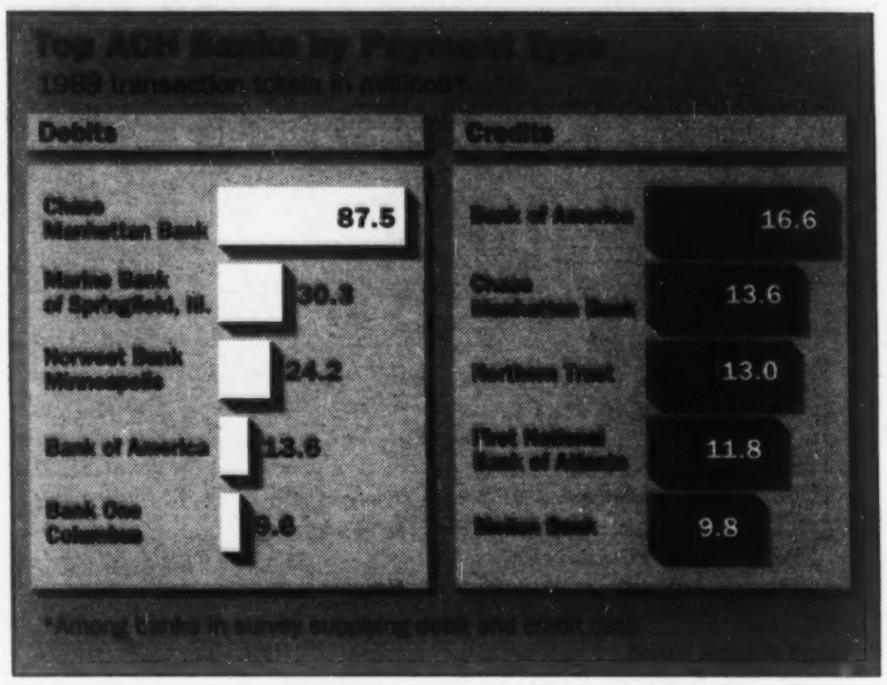
Shuffling Customers

While banks wait for several new payment types to materialize – including point-of-sale transactions and corporate trade payments associated with electronic data interchange systems – the ACH stakes remain highest where the volumes are greatest, in insurance-company debits and direct-payroll credits.

Marine Bank of Springfield, which hovered around the No. 4 and No. 5 rank for four years, jumped to No. 2 in 1989 on the strength of an increase in the number of insurance companies it serves, to 51 from 38 a year earlier. The insurance-debit specialist's biggest coup was the signing of Northwestern Mutual Life Insurance Co., Milwaukee, which Marine lured away from M&I Marshall & Ilsley Bank, also of Milwaukee. The M&I Corp. unit dropped six places to No. 17 as a result.

The task of absorbing Northwestern Mutual's considerable business forced Marine to curtail marketing efforts for six months last year, but now it is back on the growth track, said Robert J. DalSanto, vice presi-

See **CHASE** *page* **11**



Another View Of the Data

The leaders in the automated clearing house system would rank somewhat differently if the activity of holding companies were consolidated.

But because of Chase Manhattan Bank's dominance, Chase Manhattan Corp. would rank No. 1 among holding companies, too. The 3.6 million ACH transactions of its affiliate, Chase Lincoln First Bank, Rochester, N.Y., would give it an unneeded boost to 104.7 million.

Norwest Corp., Minneapolis, would rank second. Its three affiliates among the top 100 initiated 36.6 million payments last year.

Two BankAmerica Units

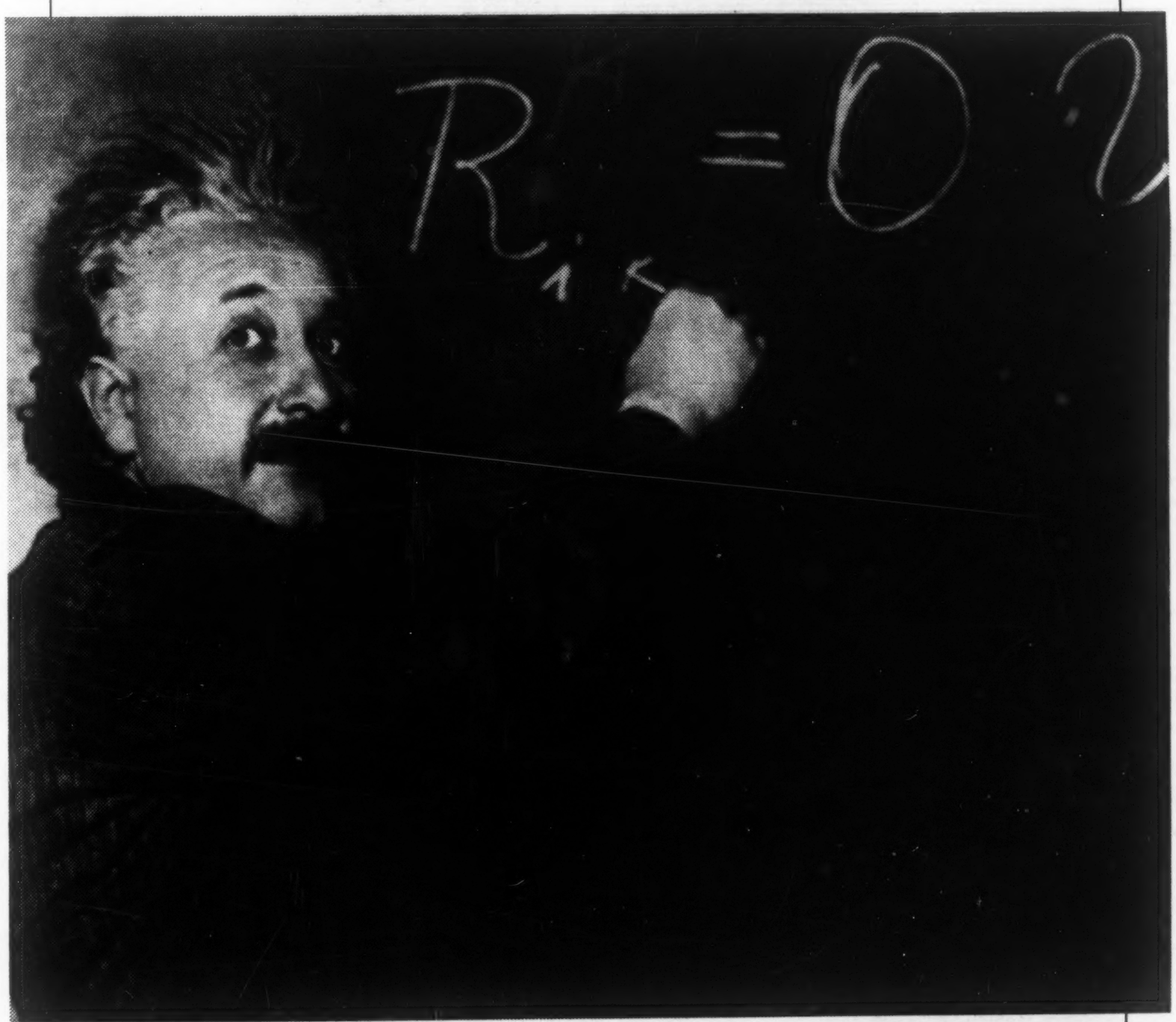
BankAmerica Corp.'s Bank of America and Seattle-First National Bank would come next, with 36.6 million. The 31.3 million originations of Marine Bank of Springfield, Ill., would place its parent, Marine Corp., fourth.

Other holding companies, most with multiple banks active in the ACH system, would follow in this order: First Wachovia Corp. (23.8 million items), Banc One Corp. (20.5 million), Northern Trust Corp. (19.3 million), First Interstate Bancorp (18.5 million), Mellon Bank Corp. (17.9 million), NCNB Corp. (16.3 million), Chemical Banking Corp. (15.3 million), Shawmut Corp. (14.2 million), Security Pacific Corp. (12.2 million), and Bank of Boston Corp. (10.9 million).

But the ACH network remains decentralized, with each member of multibank holding companies entering payments into its own local or regional clearing house. Since most data for the *American Banker* survey come from the clearing houses, banks are listed individually in the top 100 table. (There are minor exceptions, such as No. 24 CoreStates Financial Corp., which has consolidated ACH operations in one place.)

— Jeffrey Kutler

When no formula fits,
you have to know how to create your own.
It's the same in thrift M&A.



By thinking beyond existing formulas, Einstein was able to find solutions where no one else could. The same holds true for Merrill Lynch in thrift M&A.

We start with ideas. How to solve asset problems, help raise capital, or design a unique strategy. Then we apply our creativity to tailoring a structure to your specific needs.

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For creativity and expertise in arranging your thrift merger or acquisition, come to Merrill Lynch. Because we structure deals from ideas, not formulas.

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